

**BCLUW  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2012

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**BCLUW COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2011 Election)**

Matt Garber	President	2011
Brian Feldpausch	Vice President	2011
Chris Simpson		2013
Beth Neff		2011
Mark Gunderson		2013
Doug Benjamin		2013
Shane Tiernan		2011

**(After September 2011 Election)**

Brian Feldpausch	President	2015
Beth Neff	Vice President	2015
Matt Garber		2015
Doug Benjamin		2013
Shannan Callaway		2015
Mark Gunderson		2013
Shane Tiernan		2013

**School Officials**

Ben Petty	Superintendent
Paula Benson	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

### Independent Auditor's Report

To the Board of Education of  
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of BCLUW Community School District, Conrad, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

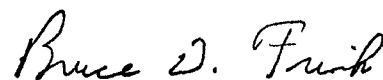
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of BCLUW Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2013 on our consideration of BCLUW Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCLUW Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. general accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2013

## **BCLUW COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

BCLUW Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2012 FINANCIAL HIGHLIGHTS**

- The District performed a number of building and repair projects to its facilities in order to keep them in optimal condition.
- Purchased a new 2012 Ford Fusion car.
- Replaced all blackboards at the Elementary with White Boards.
- Remodeled the Middle School Office.
- Put in a Bus Fuel Tank.
- Replace (3) exterior doors/windows at the elementary.
- Elementary school improvement to HVAC systems - 2 new rooftop units.
- Advanced Construction Class built storage shed for Whitten site.
- Received \$20,500 in community grants for instruction and athletic field improvements.
- Completed our third year of the 1 to 1 laptop computers for all high school students.
- All Board members received iPads to begin paperless board meetings.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of BCLUW Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report BCLUW Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds, and a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**BCLUW Community School District Annual Financial Report**

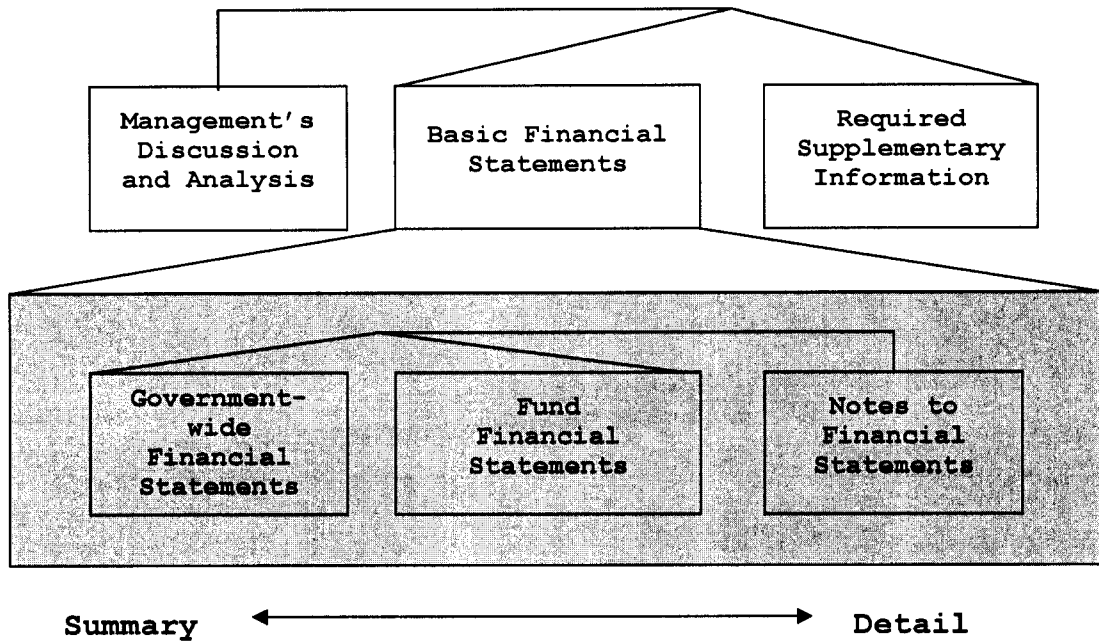


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance	An activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in fund net assets</li> <li>. Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major funds" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current assets	\$ 5,899	5,354	67	44	5,966	5,398	10.52%
Capital assets	5,416	5,744	22	26	5,438	5,770	-5.75%
<b>Total assets</b>	<u>11,315</u>	<u>11,098</u>	<u>89</u>	<u>70</u>	<u>11,404</u>	<u>11,168</u>	<u>2.11%</u>
Current liabilities	3,646	3,527	-	-	3,646	3,527	3.37%
Non-current liabilities	2,278	2,639	-	-	2,278	2,639	-13.68%
<b>Total liabilities</b>	<u>5,924</u>	<u>6,166</u>	<u>-</u>	<u>-</u>	<u>5,924</u>	<u>6,166</u>	<u>-3.92%</u>
Net Assets							
Invested in capital assets, net of related debt	3,326	3,272	22	26	3,348	3,298	1.52%
Restricted	689	393	-	-	689	393	75.32%
Unrestricted	<u>1,376</u>	<u>1,267</u>	<u>67</u>	<u>44</u>	<u>1,443</u>	<u>1,311</u>	<u>10.07%</u>
<b>Total net assets</b>	<u>\$ 5,391</u>	<u>4,932</u>	<u>89</u>	<u>70</u>	<u>5,480</u>	<u>5,002</u>	<u>9.56%</u>

The District's combined net assets were 9% greater at June 30, 2012 than June 30, 2010. The General Fund balance showed a 17% increase resulting in the increase in unrestricted funds and overall fund balance. The District uses cost containment measures including sharing of administrative positions with neighboring districts to focus spending in instructional areas, as well as produce additional miscellaneous revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**Figure A-4**  
**Changes in Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service and sales	\$ 553	513	202	204	755	717	5.30%
Operating grants, contributions and interest	1,266	1,432	148	133	1,414	1,565	-9.65%
General revenues:							
Property tax	2,859	2,812	-	-	2,859	2,812	1.67%
Income surtax	285	290	-	-	285	290	-1.72%
Statewide sales, services and use tax	441	413	-	-	441	413	6.78%
Unrestricted state grants	2,349	2,077	-	-	2,349	2,077	13.10%
Unrestricted investment earnings	11	13	-	-	11	13	-15.38%
Other	36	39	-	-	36	39	-7.69%
Total revenues	<u>7,800</u>	<u>7,589</u>	<u>350</u>	<u>337</u>	<u>8,150</u>	<u>7,926</u>	<u>2.83%</u>
Program expenses:							
Governmental activities:							
Instruction	4,272	4,242	-	-	4,272	4,242	0.71%
Support services	2,137	2,100	-	-	2,137	2,100	1.76%
Non-instructional programs	11	14	331	336	342	350	-2.29%
Other expenses	920	1,016	-	-	920	1,016	-9.45%
Total expenses	<u>7,340</u>	<u>7,372</u>	<u>331</u>	<u>336</u>	<u>7,671</u>	<u>7,708</u>	<u>-0.48%</u>
Change in net assets	<u>\$ 460</u>	<u>217</u>	<u>19</u>	<u>1</u>	<u>479</u>	<u>218</u>	<u>119.72%</u>

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$7,799,256 and expenses were \$7,339,710 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 4,272	4,242	0.71%	2,798	2,672	4.72%
Support services	2,137	2,100	1.76%	2,028	1,989	1.96%
Non-instructional programs	11	14	-21.43%	11	14	-21.43%
Other expenses	920	1,016	-9.45%	683	752	-9.18%
Totals	\$ 7,340	7,372	-0.43%	5,520	5,427	1.71%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$553,229.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$624,105.
- The net cost of governmental activities was financed with \$2,859,654 in property tax and \$2,349,132 in state foundation aid.

#### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2012 were \$349,879 and expenses totaled \$331,306. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District raised meal prices slightly as required by the federal government. The fund balance increased due to cost control measures.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted BCLUW Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,987,326; a 27 percent increase over last year's ending fund balances of \$1,563,034. The increase was due to increases in all areas.

#### **Governmental Fund Highlights**

- The General Fund increased by over \$180,000. Cost control measures that were implemented in prior years have resulted in considerable savings. These include sharing with other districts.
- The District used PPEL Funds and Capital Projects sales tax revenues to complete a number of building and equipment purchases during the year.

#### **Proprietary Fund Highlights**

The cash balance increased by \$24,000 during the year. The fund balance computed on an accrual basis increased by over \$18,000.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 34 through 35.

The District's receipts were \$208,073 greater than budgeted receipts; a variance of 3% more than anticipated.

Total expenditures were 9% less than amended budgeted expenditures. The District amended the budget in May, 2012 allowing for increased expenses of \$247,265. During the year ended June 30, 2012, expenditures did not exceed the amended amounts budgeted in any of the four function. The District did not exceed its General Fund unspent authorized budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$5.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 6% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$367,030.

The original cost of the District's capital assets was \$10,935,318. Governmental funds account for \$10,859,584, with the remainder of \$75,734 accounted for in the Business Type, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 80	80	-	-	80	80	0.00%
Buildings	4,861	5,039	-	-	4,861	5,039	-3.53%
Site improvements	102	109	-	-	102	109	-6.42%
Furniture and equipment	373	515	22	26	395	541	-26.99%
Totals	<u>\$ 5,416</u>	<u>5,743</u>	<u>22</u>	<u>26</u>	<u>5,438</u>	<u>5,769</u>	<u>-5.74%</u>

## Long-Term Debt

At June 30, 2012, the District had \$2,090,000 in general obligation bonds outstanding. This represents a decrease of approximately 13% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements. Early retirement liability is payable over the next two years. Capital lease payable, incurred for the purchase of laptop computers were fully paid in fiscal 2012.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
General obligation bonds	\$ 2,090	2,390	-12.55%
Capital lease payable	-	81	-100.00%
Other postemployment benefits	133	86	54.65%
Early retirement payable	55	82	-32.93%
Totals	\$ <u>2,278</u>	<u>2,639</u>	<u>-13.68%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- End of supplemental weighting for shared superintendent and transportation director.
- 2.37% contract settlement w/professional staff.
- Preschool reduction from .6 to .5.
- 0% Allowable Growth for 2011-2012.
- Net Gain of open enrollment.
- Did not offer an early retirement package for the first time in several years.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paula Benson, Board Secretary, BCLUW Community School District, 610 E Center St, PO Box 670, Conrad, IA 50621

## **Basic Financial Statements**

## BCLUW COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,348,791	61,775	2,410,566
Receivables:			
Property tax:			
Current year	29,651	-	29,651
Succeeding year	2,951,552	-	2,951,552
Income surtax - succeeding year	279,860	-	279,860
Due from other governments	123,556	-	123,556
Other receivables	165,808	-	165,808
Inventories	-	4,917	4,917
Capital assets, nondepreciable	80,000	-	80,000
Capital assets, net of accumulated depreciation	5,335,778	22,044	5,357,822
<b>Total assets</b>	<u>11,314,996</u>	<u>88,736</u>	<u>11,403,732</u>
<b>Liabilities</b>			
Accounts payable	83,476	-	83,476
Salaries and benefits payable	597,004	-	597,004
Accrued interest payable	13,933	-	13,933
Deferred revenue:			
Succeeding year property tax	2,951,552	-	2,951,552
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	315,000	-	315,000
Early retirement payable	22,165	-	22,165
Portion due after one year:			
General obligation bonds payable	1,775,000	-	1,775,000
Early retirement payable	32,613	-	32,613
Net OPEB liability	133,413	-	133,413
<b>Total liabilities</b>	<u>5,924,156</u>	<u>-</u>	<u>5,924,156</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,325,778	22,044	3,347,822
Restricted for:			
Categorical funding	45,362	-	45,362
Student activities	165,614	-	165,614
Management levy purposes	190,036	-	190,036
Public education and recreation	3,231	-	3,231
School infrastructure	222,621	-	222,621
Physical plant and equipment	40,542	-	40,542
Debt service	21,522	-	21,522
Unrestricted	1,376,134	66,692	1,442,826
<b>Total net assets</b>	<u>\$ 5,390,840</u>	<u>88,736</u>	<u>5,479,576</u>

See notes to financial statements.



**BCLDW COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest			Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service				
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction	\$ 4,271,965	454,811	1,018,870	(2,798,284)	-	(2,798,284)
Support services:						
Student services	133,659	24,391	-	(109,268)	-	(109,268)
Instructional staff services	265,967	-	-	(265,967)	-	(265,967)
Administration services	754,014	74,027	-	(679,987)	-	(679,987)
Operation and maintenance of plant services	591,612	-	10,543	(581,069)	-	(581,069)
Transportation services	391,422	-	-	(391,422)	-	(391,422)
	2,136,674	98,418	10,543	(2,027,713)	-	(2,027,713)
Non-instructional programs:						
Food service operations	6,631	-	-	(6,631)	-	(6,631)
Community service operations	4,515	-	-	(4,515)	-	(4,515)
	11,146	-	-	(11,146)	-	(11,146)
Other expenditures:						
AEA flowthrough	235,906	-	235,906	-	-	-
Long-term debt interest	100,137	-	224	(99,913)	-	(99,913)
Long-term debt services	375	-	-	(375)	-	(375)
Facilities acquisition and construction	221,327	-	447	(220,880)	-	(220,880)
Depreciation (unallocated)*	362,180	-	-	(362,180)	-	(362,180)
	919,925	-	236,577	(683,348)	-	(683,348)
Total governmental activities	7,339,710	553,229	1,265,990	(5,520,491)	-	(5,520,491)

**BCLUW COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:					
Non-instructional programs:					
Food service operations	331,306	201,864	147,909	-	18,467
					18,467
Total	<u>\$ 7,671,016</u>	<u>755,093</u>	<u>1,413,899</u>	<u>(5,520,491)</u>	<u>(5,502,024)</u>
General revenues:					
Property tax levied for:					
General purposes				\$ 2,161,434	-
Management fund				200,348	-
Debt service				397,083	-
Capital outlay				71,930	-
Public education and recreation				28,859	-
Income surtax				284,507	-
Statewide sales, services and use tax				440,649	-
Unrestricted state grants				2,349,132	-
Unrestricted investment earnings				10,633	106
Other				35,462	-
					35,462
Total general revenues				5,980,037	106
					5,980,143
Change in net assets				459,546	18,573
					478,119
Net assets beginning of year				4,931,294	70,163
					5,001,457
Net assets end of year				\$ 5,390,840	88,736
					5,479,576

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

**BCLJW COMMUNITY SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue			Capital Projects				Debt Service	Total
	Student Activity	Management Levy	Public Education and Recreation Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy				
<b>Assets</b>									
Cash and pooled investments	\$ 1,745,955	242,732	2,931	120,367	39,805		31,387	2,348,791	
Receivables:									
Property tax:									
Current year	22,464	2,082	300	-	737		4,068	29,651	
Succeeding year	2,122,304	325,000	30,126	-	75,148		398,974	2,951,552	
Income surtax - succeeding year	279,860	-	-	-	-		-	279,860	
Due from other governments	21,302	-	-	102,254	-		-	123,556	
Other receivables	165,808	-	-	-	-		-	165,808	
<b>Total assets</b>	<u>\$ 4,357,693</u>	<u>569,814</u>	<u>33,357</u>	<u>222,621</u>	<u>115,690</u>		<u>434,429</u>	<u>5,899,218</u>	



## BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2012

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,987,326
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2012 is not available to finance expenditures of the current fiscal period.	279,860
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,415,778
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,933)
Long-term liabilities, including general obligation bonds, capital leases and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,278,191)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 5,390,840</u>

See notes to financial statements.

## BCLJW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2012

	Special Revenue			Capital Projects			Debt Service	Total
	General	Student Activity	Management Levy	Public Education and Recreation Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy		
Revenues:								
Local sources:								
Local tax	\$ 2,445,571	-	200,348	28,859	440,649	71,930	397,083	3,584,440
Tuition	454,811	-	-	-	-	-	-	454,811
Other	189,896	349,382	10,486	16	447	41	224	550,492
State sources	3,063,554	-	-	-	-	-	-	3,063,554
Federal sources	145,589	-	-	-	-	-	-	145,589
Total revenues	6,299,421	349,382	210,834	28,875	441,096	71,971	397,307	7,798,886
Expenditures:								
Current:								
Instruction	3,869,734	330,358	30,431	21,036	-	-	-	4,251,559
Support services:								
Student services	133,659	-	-	-	-	-	-	133,659
Instructional staff services	265,967	-	-	-	-	-	-	265,967
Administration services	727,994	-	25,593	-	427	-	-	754,014
Operation and maintenance of plant services	509,943	-	54,792	6,517	-	20,360	-	591,612
Transportation services	371,085	-	20,337	-	-	-	-	391,422
	2,008,648	-	100,722	6,517	427	20,360	-	2,136,674
Non-instructional programs:								
Food service operations	-	-	6,631	-	-	-	-	6,631
Community service operations	4,515	-	-	-	-	-	-	4,515
	4,515	-	6,631	-	-	-	-	11,146

BCLJW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2012

	Special Revenue			Capital Projects			Debt Service	Total
	General	Student Activity	Management Levy	Public Education and Recreation Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy		
Expenditures (continued):								
Other expenditures:								
AEA flowthrough	235,906	-	-	-	-	-	-	235,906
Long-term debt:								
Principal	-	-	-	-	-	-	380,925	380,925
Interest	-	-	-	-	-	-	102,137	102,137
Services	-	-	-	-	-	-	375	375
Facilities acquisition and construction	-	-	-	-	241,795	14,077	-	255,872
	235,906	-	-	-	241,795	14,077	483,437	975,215
Total expenditures	6,118,803	330,358	137,784	27,553	242,222	34,437	483,437	7,374,594
Excess (deficiency) of revenues over (under) expenditures	180,618	19,024	73,050	1,322	198,874	37,534	(86,130)	424,292
Other financing sources (uses)								
Operating transfers in	-	-	-	-	-	-	87,462	87,462
Operating transfers out	-	-	-	-	(87,462)	-	-	(87,462)
	-	-	-	-	(87,462)	-	87,462	-
Net change in fund balance	180,618	19,024	73,050	1,322	111,412	37,534	1,332	424,292
Fund balances beginning of year	1,094,431	146,590	171,764	1,909	111,209	3,008	34,123	1,563,034
Fund balances end of year	\$ 1,275,049	165,614	244,814	3,231	222,621	40,542	35,455	1,987,326

See notes to financial statements.

## BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2012

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 424,292

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This figure represents the change from the prior fiscal year.

370

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlay	\$ 34,545	
Depreciation expense	<u>(362,180)</u>	(327,635)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayments		380,925
------------	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Early retirement	27,399	
Other postemployment benefits	<u>(47,805)</u>	(20,406)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,000

**Change in net assets of governmental activities (Exhibit B)** \$ 459,546



## BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 61,775
Inventories	4,917
Capital assets, net of accumulated depreciation	<u>22,044</u>
<b>Total assets</b>	<u>88,736</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	22,044
Unrestricted	<u>66,692</u>
<b>Total net assets</b>	<u>\$ 88,736</u>

See notes to financial statements.

## BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2012

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 201,864
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	93,806
Benefits	22,197
Services	6,327
Supplies	204,126
Depreciation	4,850
Total operating expenses	<u>331,306</u>
Operating (loss)	<u>(129,442)</u>
Non-operating revenues:	
State sources	3,205
Federal sources	144,704
Interest income	106
	<u>148,015</u>
Net income	18,573
Net assets beginning of year	<u>70,163</u>
Net assets end of year	<u>\$ 88,736</u>

See notes to financial statements

## BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 201,864
Cash payments to employees for services	(116,003)
Cash payments to suppliers for goods or services	(188,382)
Net cash (used by) operating activities	<u>(102,521)</u>
Cash flows from non-capital financing activities:	
State grants received	3,205
Federal grants received	123,861
Net cash provided by non-capital financing activities	<u>127,066</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(449)
Cash flows from investing activities:	
Interest on investments	<u>106</u>
Net increase in cash and cash equivalents	24,202
Cash and cash equivalents beginning of year	<u>37,573</u>
Cash and cash equivalents end of year	<u>\$ 61,775</u>
<b>Reconciliation of operating (loss) to net cash (used by) operating activities:</b>	
Operating (loss)	\$ (129,442)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	4,850
Commodities used	20,843
Decrease in inventory	1,228
Net cash (used by) operating activities	<u>\$ (102,521)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received federal commodities valued at \$20,843.

## BCLUW COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2012

#### (1) Summary of Significant Accounting Policies

BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union and Whitten, Iowa, and agricultural territory in Hardin, Grundy and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, BCLUW Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. BCLUW Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy and Hardin County Assessor's Conference Boards.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund - Statewide Sales and Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The Capital Projects Fund - Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget by April 15<sup>th</sup> of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000
Intangibles	50,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years
Intangibles	5-10 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied as well as income surtaxes collected by the State of Iowa for the 2011 income tax year that are distributed in December, 2012.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2012.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amended amounts budgeted in any of the four function. The District did not exceed its General Fund unspent authorized budget.

## (2) **Cash and Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2012.



### (3) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 80,000	-	-	80,000
Capital assets being depreciated:				
Buildings	9,120,077	-	-	9,120,077
Site Improvements	136,068	-	-	136,068
Furniture and Equipment	1,600,061	34,545	111,167	1,523,439
Total capital assets being depreciated	10,856,206	34,545	111,167	10,779,584
Less accumulated depreciation for:				
Buildings	4,081,195	177,927	-	4,259,122
Site Improvements	27,212	6,805	-	34,017
Furniture and Equipment	1,084,386	177,448	111,167	1,150,667
Total accumulated depreciation	5,192,793	362,180	111,167	5,443,806
Total capital assets being depreciated, net	5,663,413	(327,635)	-	5,335,778
Governmental activities, capital assets, net	\$ 5,743,413	(327,635)	-	5,415,778
<b>Business type activities:</b>				
Furniture and equipment	\$ 75,285	449	-	75,734
Less accumulated depreciation	48,840	4,850	-	53,690
Business type activities capital assets, net	\$ 26,445	(4,401)	-	22,044
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 362,180
Business Type activities:				
Food service operations				\$ 4,850

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 5.38% of their annual covered payroll and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$301,048, \$256,217, and \$251,104 respectively, equal to the required contributions for each year.

**(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$235,906 for year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(6) Risk Management**

BCLUW Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Capital Lease Payable	\$ 80,925	-	80,925	-	-
General Obligation Bonds	2,390,000	-	300,000	2,090,000	315,000
Early Retirement	82,177	-	27,399	54,778	22,165
Total	<u>\$2,553,102</u>	<u>-</u>	<u>408,324</u>	<u>2,144,778</u>	<u>337,165</u>

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.00%	\$ 315,000	83,600	398,600
2014	4.00	325,000	71,000	396,000
2015	4.00	340,000	58,000	398,000
2016	4.00	355,000	44,400	399,400
2017	4.00	370,000	30,200	400,200
2018	4.00	385,000	15,400	400,400
Total		<u>\$2,090,000</u>	<u>302,600</u>	<u>2,392,600</u>

Capital Lease Payable

The District entered into a lease purchase with GE Capital for the acquisition of 250 laptop computers. A down payment of \$87,454.90 was made in June 30, 2009. The final payment of \$87,454.90 was paid in July, 2011.

### Early Retirement Payable

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed eight years of service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is 60% of current year salary, less supplemental pay or extended contract pay. Early retirement benefits paid during the year ended June 30, 2012, totaled \$27,399. A long-term liability has been recorded on the Statement of Net Assets (Exhibit A) representing the District's commitment to fund early retirement.

### **(8) Related Party Transactions**

The District had \$2,316 of business transactions between the District and District officials during the year ended June 30, 2012. These are described in the Schedule of Findings on page 41-43.

### **(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 66 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,673
Interest on net OPEB obligation	1,123
Adjustment to annual required contribution	(3,991)
Annual OPEB cost	<u>47,805</u>
Contributions made	-
Increase in net OPEB obligation	<u>47,805</u>
Net OPEB obligation beginning of year	<u>85,608</u>
Net OPEB obligation end of year	<u>\$133,413</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$43,182	3.9%	\$ 41,477
June 30, 2011	44,131	0.0	85,608
June 30, 2012	47,805	0.0	133,413

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$358,724, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$358,724. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,812,000 and the ratio of the UAAL to covered payroll was 9.4%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(10) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Physical Plant and Equipment Levy	<u>\$87,462</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### **(11) Commitment**

In July, 2012 the District entered into a lease purchase agreement with Apple Inc. for the lease of 210 laptop computers. The total cost of \$213,901 will be paid in 3 installments. The interest rate is 3.2%.

## **Required Supplementary Information**

**BCLUW COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 4,589,743	201,970	4,791,713	4,579,335	4,579,335	212,378
State sources	3,063,554	3,205	3,066,759	3,124,357	3,124,357	(57,598)
Federal sources	145,589	144,704	290,293	237,000	237,000	53,293
Total revenues	<u>7,798,886</u>	<u>349,879</u>	<u>8,148,765</u>	<u>7,940,692</u>	<u>7,940,692</u>	<u>208,073</u>
<b>Expenditures/Expenses:</b>						
Instruction	4,251,559	-	4,251,559	4,700,000	4,700,000	448,441
Support services	2,136,674	-	2,136,674	2,026,850	2,200,000	63,326
Non-instructional programs	11,146	331,306	342,452	400,000	400,000	57,548
Other expenditures	975,215	-	975,215	1,050,885	1,125,000	149,785
Total expenditures/expenses	<u>7,374,594</u>	<u>331,306</u>	<u>7,705,900</u>	<u>8,177,735</u>	<u>8,425,000</u>	<u>719,100</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	424,292	18,573	442,865	(237,043)	(484,308)	927,173
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	424,292	18,573	442,865	(237,043)	(484,308)	927,173
Balance beginning of year	<u>1,563,034</u>	<u>70,163</u>	<u>1,633,197</u>	<u>1,352,397</u>	<u>1,352,397</u>	<u>280,800</u>
Balance end of year	<u>\$ 1,987,326</u>	<u>88,736</u>	<u>2,076,062</u>	<u>1,115,354</u>	<u>868,089</u>	<u>1,207,973</u>

See accompanying independent auditor's report.

**BCLUW COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2012**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year, the District adopted one budget amendment increasing budgeted expenditures by \$247,265.

During the year ended June 30, 2012, expenditures did not exceed the amended amounts budgeted in any of the four function. The District did not exceed its General Fund unspent authorized budget.

**BCLUW COMMUNITY SCHOOL DISTRICT**

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$359	\$359	0.0%	\$3,776	9.5%
2011	July 1, 2009	\$0	\$359	\$359	0.0%	\$3,802	9.4%
2012	July 1, 2009	\$0	\$359	\$359	0.0%	\$3,812	9.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.



## **Supplementary Information**

## BCLUW COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Thespians	\$ 2,155	4,228	4,072	2,311
Speech	-	504	504	-
Vocal Music	4,004	4,472	5,871	2,605
Show Choir	-	5,052	4,071	981
Band	3,267	4,200	4,726	2,741
Middle School Instrumental	-	359	359	-
HS Mathletes	946	-	184	762
Athletic	29,976	138,826	121,635	47,167
Class of 2011	1,763	-	54	1,709
Talented and Gifted MS	269	1,793	1,240	822
Class of 2013	5,589	17,061	17,502	5,148
Cheerleaders	-	-	-	-
Science Club	33	8,371	8,122	282
MS Theme Day	-	2,765	2,448	317
Middle School Vocal Music	660	269	600	329
Class of 2014	125	8,775	3,469	5,431
Class of 2015	-	460	284	176
Elementary Activities	24,918	17,059	5,597	36,380
Parent/Educator Partnership	4,700	31,843	27,125	9,418
Flower Fund	32	241	265	8
FCCLA	1,053	833	444	1,442
Technology Club	204	-	204	-
Comet Café	2,669	3,594	4,422	1,841
Library Club	546	5,415	5,225	736
Art Club	1,321	7,569	8,202	688
Interest	8,236	937	837	8,336
Letterwinners	2,987	57	911	2,133
Little League	3,459	5,941	9,400	-
National Art Honor Society	539	-	-	539
MS Athletic	9,361	5,404	10,674	4,091
Iowaish	273	-	-	273
Class of 2012	5,587	2,801	5,575	2,813
MS Conflict Managers	-	-	-	-
Special Olympics	163	93	239	17
National Honor Society	1,909	1,064	317	2,656
Padlock	620	228	-	848
Student Council	1,641	4,995	4,891	1,745
Summer Concessions	9,078	25,661	25,909	8,830
High School Activities	2,275	3,033	5,073	235
Yearbook	6,384	6,241	9,117	3,508
Concessions	-	23,356	23,356	-
MS Activities	9,848	5,882	7,434	8,296
Total	\$ 146,590	349,382	330,358	165,614

See accompanying independent auditor's report.

## BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$3,584,440	3,503,935	3,358,274	3,379,165	3,163,985	3,072,460	2,941,371	2,945,727	2,816,819
Tuition	454,811	382,766	394,461	354,162	323,887	327,063	260,390	321,512	287,034
Other	550,492	575,797	510,325	531,636	554,796	469,174	553,728	544,805	797,781
State sources	3,063,554	2,823,470	2,514,445	3,060,564	2,906,756	2,560,037	2,367,946	2,369,727	2,180,190
Federal sources	145,589	291,194	539,357	289,694	269,196	216,894	116,345	119,713	131,944
Total	<u>\$7,798,886</u>	<u>7,577,162</u>	<u>7,316,862</u>	<u>7,615,221</u>	<u>7,218,620</u>	<u>6,645,628</u>	<u>6,239,780</u>	<u>6,301,484</u>	<u>6,213,768</u>
Expenditures:									
Instruction	\$4,251,559	4,221,047	4,251,878	4,375,857	4,117,522	3,789,341	3,578,529	3,350,907	3,307,690
Support services:									
Student services	133,659	131,349	134,523	97,344	94,920	84,866	83,931	130,615	76,351
Instructional staff	265,967	267,771	223,273	230,109	200,159	193,510	182,949	190,780	163,751
Administration	754,014	737,939	744,651	747,875	703,427	683,912	659,495	638,098	600,092
Operation and maintenance of plant	591,612	617,800	539,137	548,564	569,301	505,318	530,856	501,264	450,808
Transportation	391,422	344,474	320,059	333,571	364,021	338,074	325,388	303,943	270,448
Non-instructional programs:									
Food service operations	6,631	7,574	9,811	7,060	5,648	5,828	5,380	681	200
Community service operations	4,515	6,656	18,945	19,685	2,435	17,357	1,982	-	-
Other expenditures:									
Facilities acquisition	255,872	416,223	328,378	752,409	459,174	651,064	367,709	362,559	292,055
Debt service:									
Principal	380,925	372,456	280,000	275,000	250,000	235,000	225,000	215,000	200,000
Interest and services	102,512	117,029	117,538	127,825	168,688	179,145	207,324	199,801	210,550
AEA flowthrough	235,906	257,518	257,444	223,513	215,223	194,442	180,550	181,168	182,058
Total	<u>\$7,374,594</u>	<u>7,497,836</u>	<u>7,225,637</u>	<u>7,738,812</u>	<u>7,150,518</u>	<u>6,877,857</u>	<u>6,349,093</u>	<u>6,074,816</u>	<u>5,754,003</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities and each major fund of BCLUW Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

The management of BCLUW Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered BCLUW Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no items which we consider to be significant deficiencies.

### Compliance and Other Matters

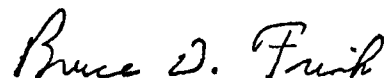
As part of obtaining reasonable assurance about whether BCLUW Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

BCLUW Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit BCLUW Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of BCLUW Community School District and other parties to whom BCLUW Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of BCLUW Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK  
Certified Public Accountant

March 25, 2013

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES**

I-A-12 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has a large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

I-B-12 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

**BCLUW COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2012

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-12      Certified Budget - Expenditures for the year ended June 30, 2012 did not exceed the amended certified budget amounts in any of the four functions. The District did not exceed its unspent authorized budget.
- II-B-12      Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-12      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12      Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Benjamin Trophy Company Spouse of Board Member	Resale items and supplies	\$2,316

These transactions do not appear to represent a conflict as they do not exceed the \$2,500 limit allowed by Chapter 279.7A of the Code of Iowa.

Recommendation - We recommend that the District annually review these transactions to ensure continued compliance.

Response - Since Doug Benjamin is a board member for BCLUW, there was limit to school district purchasing from Benjamin Trophy. Once the \$2,500 amount was approached during the 2011-12 school year, purchasing was stopped.

Conclusion - Response accepted.

- II-E-12      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-12      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-12      Supplementary Weighting - Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. Western Civ did not qualify for additional weighting in FY11 (-.05).

Recommendation - The District should notify the Iowa Department of Education of the error to get the proper count.

Response - The District will contact the Iowa Department of Education.

Conclusion - Response accepted.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

II-I-12      Deposits and Investments - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-12      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-12      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12      Student Activity Fund - In accordance with IAR 281-98.70, upon dissolution of a student activity, such as graduating class, the surplus must be used to support other student activities in the student activity fund. The District has not closed out student activity accounts for graduated classes.

Recommendation - The balances remaining in the graduated class accounts should be transferred to other student activity accounts.

Response - We will look to transfer these account balances to other student activity accounts.

Conclusion - Response accepted.

II-M-12      Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2012, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$111,209
Revenues/transfers in:		
Sales tax revenues	440,649	
Other local revenues	<u>447</u>	<u>441,096</u>
		552,305
Expenditures/transfers out:		
Building improvements	\$ 242,222	
Transfers to other funds:		
Debt service fund	<u>87,462</u>	<u>329,684</u>
Ending balance		<u>\$222,621</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.